



## FACT SHEET

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# Food Aid Reform: Behind the Numbers

Last year, President Obama proposed common sense reforms that would enable the United States to reach up to four million more people in food crises around the world with the same resources, by making the successful USAID Title II program more flexible, efficient and effective. This year, the President's request builds on positive reforms enacted in 2014, which will enable USAID to reach more people annually with the same resources, mainly in chronically food-insecure communities, including about 600,000 more people through the 2014 Farm Bill and another 200,000 through the Consolidated Appropriations Act, 2014. These changes reduce costs and offer USAID a wider range of programming options that can improve program outcomes and help achieve more sustainable results, particularly within development programs.

In the FY 2015 budget, the President proposes additional reforms to ensure the U.S. Government is also able to flexibly respond to life-saving, emergency needs around the world, reaching close to 2 million more people per year in emergency crises with the same resources.

## THE BASIC CALCULATION OF EFFICIENCY SAVINGS

Interventions such as local and regional purchases (LRP) from developing countries near crises and other cash-based food assistance such as vouchers substantially reduce average costs, including commodity handling, shipping, and other delivery costs compared to Title II. Independent analyses and USAID experience have demonstrated that LRP and other cash-based programs are cheaper, safe and efficient options. In a commodity to commodity comparison, certain commodities purchased locally or regionally can result in 25-50 percent savings compared to Title II. [Consistent with independent analyses, International Disaster Assistance \(IDA\)-funded LRP average costs have been 20-30 percent less than Title II since 2010.](#) The estimates take into account that that some cash-based responses may be more expensive than others due to complex environmental factors. By contrast, accessing pre-positioned Title II food takes longer than LRP and other cash-based programs and adds to the cost of Title II food aid, reducing the number of beneficiaries who can be helped with existing resources.

Sources: [Cornell Study](#), [USDA LRP Pilot Evaluation](#), [GAO Study on Monetization](#), [GAO Study on Local and Regional Procurement](#), [GAO Study on Prepositioning](#)

## THE ADMINISTRATION'S FY 2015 BUDGET PROPOSAL INCLUDES REFORMS TO OUR FOOD AID SYSTEM THAT WILL ALLOW USAID TO REACH AN ADDITIONAL 2 MILLION PEOPLE EACH YEAR IN EMERGENCY SETTINGS WITH THE SAME RESOURCES.

In the FY 2015 budget proposal, the Administration is requesting \$1.4 billion for the Food for Peace Title II program to provide both emergency and development food assistance. **The Administration is requesting that 25 percent of these resources be available for flexible, cash-based emergency interventions such as LRP, food vouchers, and cash transfers.**

**Increased Flexibility in Emergency Programs will increase efficiency by 20-30 percent and allow USAID to reach about 2 million more people each year.** Out of a \$1.4 billion budget, 25 percent flexibility would make \$350 million available for cash-based emergency food assistance interventions. The efficiency gains would range from \$70-\$105 million, allowing USAID to reach about 2 million additional people. Title II funding to address emergency needs, including these flexible funds, would total nearly \$1.1 billion.

## FOOD AID REFORM WILL REDUCE OUR OVERALL COST PER METRIC TON.

As the USAID end-of-year fact sheet on food assistance shows, **FY 2012 local and regional purchases alone averaged \$929/metric ton (MT) compared to \$1,188/MT for emergency Title II programs.** This is \$259, or 20 percent, less per metric ton. For the period of 2010-2012, LRP purchases averaged nearly 30 percent less than Title II costs per ton.

Source: [Fiscal Year 2012 Food for Peace Fact Sheet.](#)

## FOOD AID REFORM WILL HELP MITIGATE THE LOSS OF 1.4 MILLION EMERGENCY BENEFICIARIES DUE TO THE ELIMINATION OF MARAD REIMBURSEMENTS.

The Bipartisan Budget Act of 2013 eliminated reimbursements from the U.S. Maritime Administration (MARAD) to Title II. The MARAD reimbursements, which helped USAID offset the increased cost of using U.S. flagged carriers versus foreign-flagged carriers to deliver food aid around the world, would likely have added an annual average of about \$50-\$60 million to the Title II operating budget. The loss of this funding means USAID will reach about 1.4 million fewer people in emergencies each year, making the food aid reforms in the FY 2015 budget proposal necessary to mitigate these negative impacts.

## KEY REFORMS IN THE 2014 FARM BILL AND FUNDING IN THE CONSOLIDATED APPROPRIATIONS ACT OF 2014 WILL ALLOW THE U.S. TO REACH 800,000 MORE PEOPLE PER YEAR MAINLY IN DEVELOPMENT PROGRAMS.

**Increases in Section 202(e) funding from 13 to 20 percent will give USAID nearly \$100 million more in cash flexibility to more effectively and efficiently implement Title II programs, primarily development programs. The Consolidated Appropriations Act, 2014 provides an additional \$35 million for Section 202(e) for the same purpose.** Emergency programs are typically one year and aim to save lives and reduce suffering in times of crisis. Development programs are typically 3-5 years and aim to build resilience and address chronic food insecurity.

### **Decreasing the use of monetization in development programs will increase efficiency by 25 percent.**

Expanded language, authorizing the use of Section 202(e) cash resources to enhance programming, will allow USAID to directly fund development programs rather than relying on monetization, making development programs more efficient and effective. Monetization, the resale of U.S. food abroad to fund development programs, results in an average loss of 25 percent on each dollar of monetized food aid. As a result of ongoing USAID efforts to improve efficiency, the additional savings possible by reducing monetization are small. Therefore, for simplicity, the calculation for the impact includes these savings in the overall 20-30 percent savings.

**Increased Flexibility related to additional Section 202(e) funding will improve efficiency by 20-30 percent and expand innovation in our development programs while allowing for modest use of flexible emergency interventions.** The potential efficiency gains as a result of the increased Section 202(e) funding and flexibility in the 2014 Farm Bill range from \$20-\$30 million, allowing about 600,000 additional beneficiaries, mainly in development programs. The efficiency gains on the Consolidated Appropriations Act, 2014 range from \$7-11 million, allowing about 200,000 additional beneficiaries. New Section 202(e) funding will also be used for modest amounts of cash-based emergency interventions.